**CA569 - MP for tax reporting changes introduced by CR1846**

In optional income distribution events (DVOP) and/or dividend re-investments (DRIP) announced in source investment countries where tax is applied on the income that was re-invested in new securities, the taxation is usually managed according to one of the following procedures:

* income is re-invested to obtain new securities already net of the relevant tax (aka reinvestment net);
* income is re-invested without any tax being deducted and tax is then debited separately in cash (aka reinvestment gross).

As a way of an example, if we consider a DVOP where:

1. shareholders can receive a dividend of 1€ per share in cash or re-invest in new shares issued at a price of 8.75€ per share
2. the account owner has 10,000 interim securities
3. the applicable tax rate is 25% and the account owner doesn’t benefit of any relief at source

**Re-investment net**

The account owner is entitled to a net dividend of 7,500.00 (10,000.00€ - (10,000€\*25%)) to be re-invested to obtain new securities at 8.75€ per security.

It will receive 857 new securities (re-investment ratio is 1:11.66666 held) and €1.25 in fractions

The account servicer should credit the new securities and fractions, providing a confirmation containing the following information:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **:16R:** | **SECMOVE** | Start of Block |
| **M** | **:22H::** | **CRDB//CRED** | Credit/Debit Indicator |
| **M** | **:35B:** | **ISIN FR0010481960****ARGAN** | Identification of the Financial Instrument |
| **M** | **:36B::** | **PSTA//UNIT/857,** | Posting Quantity |
| **M** | **:92D::** | **NEWO//1/11,66666667** | New Securities to Underlying Securities |
| **O** | **:92A::** | **TAXR//25,** | Withholding Tax |
| **O** | **:19B::** | **TAXR//EUR2500,** | Withholding Tax Amount |
| **M** | **:98A::** | **POST//20220426** | Posting Date/Time |
| **O** | **:98A::** | **PAYD//20220426** | Payment date |
|  | **:16S:** | **SECMOVE** | End Of Block |
| **M** |  |  | *End of Subsequence D1 Securities Movement* |  |
| **M** |  |  | *Optional Repetitive Subsequence D2 Cash Movement* |  |
|  | **:16R:** | **CASHMOVE** | Start of Block |
| **M** | **:22H::** | **CRDB//CRED** | Credit/Debit Indicator |
| **O** | **:97A::** | **CASH//xxxxx** | Cash account |
| **M** | **:19B::** | **PSTA/EUR1,25** | Posting Quantity |
| **O** | **:19B::** | **CINL//EUR1,25** | Cash in lieu Amount |
| **O** | **:19B::** | **REIN//EUR7498,75** | Re-investment amount |
| **M** | **:98A::** | **POST//20220426** | Posting Date/Time |
| **O** | **:98A::** | **VALU//20220426** | Value Date/Time |
| **O** | **:98A::** | **PAYD//20220426** | Payment Date/Time |
| **O** | **:90B ::** | **CINL//ACTU/EUR8,75** | Cash in Lieu of Shares Price |
|  | **:16S:** | **CASHMOVE** | End Of Block |
| **M** |  |  | *End of Subsequence D2 Cash Movement* |  |
|  | **:16S:** | **CACONF** | End Of Block |
| **M** |  | *End of Mandatory Sequence D Corporate Action Confirmation* |

**Reinvestment gross**

The account owner is entitled to a dividend of 10,000.00 to be re-invested to obtain new securities at 8.75€ per security. It will receive 1,142 new securities (re-investment ratio is 1:8.75 held) and €7.50 in fractions. The tax, 2,500€ (10,000€\*25%) will be debited separately in cash.

Since the tax is debited separately in cash, there is no need to report the amount of tax withheld in the security movement used to credit the new securities.

The account servicer should credit the new securities and fractions, providing a confirmation containing the following information:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **:16R:** | **SECMOVE** | Start of Block |
| **M** | **:22H::** | **CRDB//CRED** | Credit/Debit Indicator |
| **M** | **:35B:** | **ISIN FR0010481960****ARGAN** | Identification of the Financial Instrument |
| **M** | **:36B::** | **PSTA//UNIT/1142,** | Posting Quantity |
| **M** | **:92D::** | **NEWO//1/8,75** | New Securities to Underlying Securities |
| **M** | **:98A::** | **POST//20220426** | Posting Date/Time |
| **O** | **:98A::** | **PAYD//20220426** | Payment date |
|  | **:16S:** | **SECMOVE** | End Of Block |
| **M** |  |  | *End of Subsequence D1 Securities Movement* |  |
| **M** |  |  | *Optional Repetitive Subsequence D2 Cash Movement* |  |
|  | **:16R:** | **CASHMOVE** | Start of Block |
| **M** | **:22H::** | **CRDB//DEBT** | Credit/Debit Indicator |
| **O** | **:97A::** | **CASH//xxxxx** | Cash account |
| **M** | **:19B::** | **PSTA/EUR2500,** | Posting Quantity |
| **O** | **:19B::** | **TAXR//EUR2500,** | Withholding Tax Amount |
| **M** | **:98A::** | **POST//20220426** | Posting Date/Time |
| **O** | **:98A::** | **VALU//20220426** | Value Date/Time |
| **O** | **:98A::** | **PAYD//20220426** | Payment Date/Time |
|  | **:16S:** | **CASHMOVE** | End Of Block |
| **M** |  |  | *End of Subsequence D2 Cash Movement* |  |
| **M** |  |  | *Optional Repetitive Subsequence D2 Cash Movement* |  |
|  | **:16R:** | **CASHMOVE** | Start of Block |
| **M** | **:22H::** | **CRDB//CRED** | Credit/Debit Indicator |
| **O** | **:97A::** | **CASH//xxxxx** | Cash account |
| **M** | **:19B::** | **PSTA/EUR7,50** | Posting Quantity |
| **O** | **:19B::** | **CINL//EUR7,50** | Cash in lieu Amount |
| **O** | **:19B::** | **REIN//EUR9992,50** | Re-investment amount |
| **M** | **:98A::** | **POST//20220426** | Posting Date/Time |
| **O** | **:98A::** | **VALU//20220426** | Value Date/Time |
| **O** | **:98A::** | **PAYD//20220426** | Payment Date/Time |
| **O** | **:90B ::** | **CINL//ACTU/EUR8,75** | Cash in Lieu of Shares Price |
|  | **:16S:** | **CASHMOVE** | End Of Block |
| **M** |  |  | *End of Subsequence D2 Cash Movement* |  |
|  | **:16S:** | **CACONF** | End Of Block |
| **M** |  | *End of Mandatory Sequence D Corporate Action Confirmation* |